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Tales, From the Trenches

“The Linzers are revolutionaries in the nonprofit financial world and leaders should take notice.” Martha Perry, Associate Executive Director, McCune Foundation.

This theatre discovered a serious deficit. Its first in many years. The board wanted to quickly raise money, something it had not done in the past, or to cut two productions later in the season. They spoke with us and we suggested an alternative. Following this advice, they adopted the creditholder idea. With fully secured borrowing they were immediately back in business. That season saw their highest ticket revenues and donations. Fully secured borrowing has allowed them to sustain a revolving line of credit for over 25 years and stabilized their finances.

“Thank you for saving our theatre, the credit holder concept worked for us.”

As a metropolitan museum their income streams have always fluctuated from year to year. After consulting with us, they reviewed their cash flow situation and decided to reach out to their contributors to develop creditholders. The funds were rapidly put together and they obtained a line of credit that was fully secured. That line of credit has strengthened their financial position and enhanced their fundraising efforts.

“A powerful lesson for museums, that using credit is a plus.”

Attempting to rescue a small liberal arts college from financial disaster is no small feat. We provided them with information in the form of our books on new ideas in financial management. We suggested using fully secured borrowing, to substitute for non-existent cash reserves or a proposed endowment. This information became the center piece in their communications with alumni. Without this material it is not sure they would be operating successfully today.

“Small colleges are particularly vulnerable today. Fully secured borrowing prompted our alumni to action. We are stronger now as a result.”

This community has been labelled as underserved. More accurately, as African Americans they are victims of prejudice who receive less service. We challenged them to approach their community to solicit creditholder support. They did and the response was strong. They used that money to obtain a fully secured loan from a bank that had formerly only provided them with a savings and checking account.

“Money certainly talks, even when prejudice walks in the way.”

The building they rented was going up for sale. They needed to act quickly but could not find enough donors to make an offer. They called us and we suggested they form a creditholder program. The strategy worked and they got enough money to make a serious offer on the building. The bank, using fully secured collateral, agreed to a short-term loan. They purchased the building and then immediately, at our advice, sought out an investor who they knew and trusted. He bought the building from them on a sale and lease back deal. It could not have worked out better.

“The creditholders program bought us the time we needed to secure our building. It gave us time to set up a sale and lease back of this facility. An elegant solution that worked for us.”

As Asian people living in a very urban area, they wanted to develop a way to assist their elderly folks. We suggested that they talk to the city government about a multiple year grant. That happened and then they set up a drive to get creditholders. The drive was soon complete. They took the creditholder’s money to the bank and got a line of credit. They used the grant from the city to get an arts program for elders started. This organization recently won an award for their outstanding programming.

“Our culturally based programs for elders are working. The creditholder idea is wonderful.”

Deep, deep trouble was the only way to describe this organization's situation after massive cuts in 2008. They needed a way to expand their outreach program for prisoners. They read about the creditholder idea and used our books to form a creditholder group and then get a term loan. The result was the program survived and still operates today, many years later.

The Marine Science Center had an outstanding educational program focused on teacher training. Just as the institution was gearing up for a nation-wide curriculum dissemination, their landlord told them they needed to leave their facility at the end of their lease. They contacted us, we advised them to meet with the local municipal officials and request a bond. The bond would provide the funds needed to construct a new facility, nearby. With consent from the City and plans for a new facility, we went back to the landlord and requested an extension of their lease. After protracted negotiations, the landlord agreed to a two-year extension, just enough time to acquire a property, design and construct the new facility. Two years later the organization moved into its new home.

“We never imagined that we could survive the loss of our long-term lease, nor did we think that we could obtain a new facility using a bond from the City. The use of credit that the Linzer's advocated solved our problem. Our credit holders gave the municipality confidence in our ability to repay the bond note.”

“We never thought we could or would borrow to save our organization. Now we know better and understand how credit helped us.”

The call came in late on Friday night. The Executive Director of a venerable music festival had just learned that in the face of an unanticipated deficit the two lawyers on their board were planning to call for a vote to declare bankruptcy. Clearly, they were worried about the financial consequences to themselves and others since board members are individually and severally vulnerable to creditors. We spoke with the Board Chairman later that evening, faxed him a five-point plan for establishing a creditholder group, starting with the Board. He agreed and the next day at the Board meeting they adopted the plan. On Monday morning their bank was approached with collateral formed by the creditholders. By the afternoon their fiscal distress was mitigated by a five-year term loan.

“We followed your instructions, our Board Members stepped up, the bank welcomed our collateral, and we got a loan that saved our program. Thanks to you and the credit holder concept we have survived.”

During a particularly troubling period of tension between fishermen and Native American Tribes throughout the Pacific Northwest, a small Native American Tribe approached us about finding grants to develop a museum. After months of searching it was clear that no foundations or donors were willing to provide support. We developed a business plan for the museum, took the package to a local bank. The banker immediately understood the implications of lending to a Tribe that enjoys sovereign immunity. In other words, they could decide to not pay him back. Normally, at that time, tribes required a Bureau of Indian Affairs guarantee in order to borrow. The local banker waived that option and instead loaned the money directly to the tribe. The first phase of the museum was developed within an existing building. Once up and running, donors and other entities provided funding for a second and third phase. The museum has thrived and endures to this day.

“Our museum may be one of the only cultural institutions created by the use of credit. It received the first commercial grade loan to a Native American Tribe granted without a BIA guarantee.”